Report

of the

Examination of

Sentry Select Insurance Company

Stevens Point, Wisconsin

As of December 31, 2003

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June 6, 2005

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Commissioners:

In accordance with the instructions of the Wisconsin Commissioner of Insurance, a compliance examination has been made of the affairs and financial condition of:

SENTRY SELECT INSURANCE COMPANY
Stevens Point, WI

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Sentry Select Insurance Company (Sentry Select, SSIC or the company) was conducted in 1999 as of December 31, 1998, by the Illinois Insurance Department. The current examination covered the intervening period ending December 31, 2003, and included a review of such 2004 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was originally incorporated as Fulton Fire Insurance Company under the laws of New York on August 1, 1929, and commenced business on August 30, 1929. On December 28, 1955, the company changed its name to Fulton Insurance Company. On May 8, 1969, Deere & Company acquired the company from Hanover Insurance Company of New York and changed the company's name to John Deere Insurance Company. The company redomiciled to the state of Illinois on December 31, 1982.

Sentry Insurance a Mutual Company acquired John Deere Insurance Company with the acquisition of Sentry Insurance Holding Company, f/k/a John Deere Insurance Group, Inc., on September 30, 1999, and changed the company's name to Sentry Select Insurance Company. On January 1, 2001, the company redomiciled to the state of Wisconsin.

In 2003, the company wrote direct premium in the following states:

California	$ 69,400,341	11.82%
Illinois	46,565,488	7.93
Texas	37,356,911	6.36
Pennsylvania	31,225,295	5.32
Georgia	29,917,482	5.09
Florida	26,221,004	4.46
All others	346,676,966	59.02
Total	$587,363,487	100.00%

The company is licensed in all states and the District of Columbia. Sentry Insurance classifies its insurance lines into business products and consumer products. Sentry Select's consumer products are immaterial, with the major consumer product marketed by the company being standard auto in New York. The major business products marketed by the company include commercial auto and auto physical damage, and worker's compensation. The major products are marketed through 112 agents and direct writers.

The following table is a summary of the net insurance premiums written by the company in 2003. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 23,056,826	$ 3,937,853	$ 23,056,827	$ 3,937,853
Allied lines	19,036,841	3,288,518	19,036,841	3,288,518
Homeowners multiple peril	17,217	3,790,857	17,217	3,790,857
Commercial multiple peril		1,692,817		1,692,817
Mortgage guaranty				
Ocean marine	(8,417)	8,228	(8,417)	8,228
Inland marine	59,575,469	6,313,052	59,575,470	6,313,052
Earthquake	717,681	99,397	717,681	99,397
Group accident and health	4,780,379	1,524,373	4,780,379	1,524,373
Other accident and health		4,887		4,887
Worker's compensation	84,820,072	41,304,004	88,770,796	37,353,281
Other liability - occurrence	61,109,026	9,198,968	61,109,026	9,198,968
Other liability - claims made	3,554,348	354,658	3,554,348	354,658
Products liability - occurrence	16,376,404	2,678,415	16,376,404	2,678,415
Private passenger auto liability	14,736	46,078,621	14,736	46,078,621
Commercial auto liability	216,680,941	23,648,501	217,353,480	22,975,961
Auto physical damage	81,087,585	28,662,280	81,439,210	28,310,656
Aircraft (all perils)		(3,176)		(3,176)
Fidelity	4,132,464	463,663	4,132,464	463,663
Surety	927,861	95,950	927,861	95,950
Burglary and theft	1,559,981	166,052	1,559,981	166,052
Boiler and machinery	87,808		87,808	0
Credit				
International		880		880
Reinsurance - non-proportional assumed property		(802,422)	(781,561)	(20,861)
Write-ins for other lines of business:				
Extended Warranty	9,836,265	983,626	9,836,265	983,626
Total All Lines	$587,363,487	$173,490,002	$591,556,816	$169,296,676

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members elected annually by the shareholder. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members receive no compensation specific to their service on the board because all are employees of the parent, Sentry Insurance a Mutual Company.

Sentry Select's board of directors meets once a year. Other actions of the board are evidenced by consent resolutions signed by all directors. This practice is permitted by s. 180.0821, Wis. Stat.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Dale R. Schuh Stevens Point, Wisconsin	Chairman of the Board, Chief Executive Officer and President, Sentry Insurance a Mutual Company	2005
Janet L. Fagan Stevens Point, Wisconsin	Vice President and Chief Actuary, Sentry Insurance a Mutual Company	2005
William M. O'Reilly Stevens Point, Wisconsin	Vice President, General Counsel and Corporate Secretary, Sentry Insurance a Mutual Company	2005
James J. Weishan Stevens Point, Wisconsin	Vice President – Investments, Sentry Insurance a Mutual Company	2005
William J. Lohr Stevens Point, Wisconsin	Vice President and Treasurer, Sentry Insurance a Mutual Company	2005

Officers of the Company

The officers serving at the time of this examination are as follows. The officers are employed and compensated by Sentry Insurance a Mutual Company. The officers of Sentry Select may also be officers of other companies in the Sentry Group. The salaries listed below are the portion of the officer's total salary that is allocated to Sentry Select.

Name	Office	2004 Compensation
Dale Robert Schuh	Chief Executive Officer	$634,621
James Craig Clawson	President	281,690
William James Lohr	Treasurer	140,376
William Michael O'Reilly	Secretary	146,729
Janet Leitner Fagan	Vice President	164,804

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The company did not have any committees at the time of the examination.

IV. AFFILIATED COMPANIES

Sentry Select Insurance Company is a member of a holding company system (Sentry Insurance Group) controlled by Sentry Insurance a Mutual Company (SIAMCO), a Wisconsin-domiciled mutual insurer. SIAMCO has 22 subsidiaries and affiliates, including 11 insurers and 11 noninsurance entities. SIAMCO is also affiliated with Dairyland County Mutual Insurance Company of Texas through common management. A chart of all of the entities in the holding company system is presented later in this section of the examination report.

A discussion of all the Sentry Insurance Group affiliated companies is included in the examination report for SIAMCO. This report includes only those affiliates with which Sentry Select has reinsurance or other important affiliated relationships.

Sentry Insurance a Mutual Company

SIAMCO owns all of the issued and outstanding common stock of Sentry Select. SIAMCO is licensed in all 50 states, the District of Columbia, Puerto Rico, and Canada. On a direct basis, the parent company writes a wide range of property and casualty insurance products, predominantly worker's compensation and automobile coverages. SIAMCO has a 60% participation in the affiliated pooling agreement, whereby all property and casualty business written by the Sentry Insurance Group is combined and reapportioned. The 2003 annual statement reported assets of $4,282,734,663, liabilities of $2,105,670,251, policyholders' surplus of $2,177,064,411, and net income of $116,879,367. SIAMCO was examined concurrently with Sentry Select as of December 31, 2003, and the results of that examination are expressed in a separate report.

Sentry Insurance Holding Company

On September 30, 1999, Sentry Insurance a Mutual Company acquired 100% of the John Deere Insurance Group, Inc. The name was changed to Sentry Insurance Holding Company. The subsidiaries of the holding company were Sentry Select Insurance Company (formerly John Deere Insurance Company), Sentry Casualty Company (formerly John Deere Casualty Company), Rock River Insurance Company, and Sentry Insurance Agency, Inc. (formerly John Deere Insurance Agency, Inc.). The Parker Stevens Agency of Texas, Inc.

(formerly John Deere General Agency, Inc.), is a subsidiary of Sentry Select Insurance Company. This office approved the redomestication of the three John Deere insurance companies to Wisconsin effective January 1, 2001.

The acquisition of the John Deere Insurance Group was viewed as an opportunity for growth and enabled the Sentry Group to offer a full line of insurance products to dealers of farm and lawn equipment, construction equipment and recreational vehicles, and to trucking operations.

On February 1, 2002, Sentry Insurance Holding Company sold Rock River Insurance Company to Arch Capital Group, Ltd. Effective January 1, 2003, Sentry Insurance Agency, Inc., was merged into Parker Stevens Agency, LLC, and effective June 1, 2004, Parker Stevens Agency of Texas, Inc., was also merged into Parker Stevens Agency, LLC.

As of December 31, 2003, Sentry Insurance Holding Company reported $164,302,924 in assets, $1,558,712 in liabilities, and $162,744,212 in equity. The reported net income of $2,803,722 was primarily from the increase in equity in its companies.

Sentry Casualty Company

Sentry Casualty Company is a property and casualty insurer incorporated on July 23, 1973, as Tahoe Insurance Company. It was organized by Deere & Company and ownership was shared with Sierra General Life Insurance Company. Upon the liquidation of Sierra in 1995, the John Deere Insurance Group assumed the shares. In 1996, the company redomesticated to Illinois and the name was changed to John Deere Casualty Company. SIAMCO acquired 100% indirect ownership in connection with the acquisition of Sentry Insurance Holding Company on September 30, 1999, and changed the company's name to Sentry Casualty Company.

Sentry Casualty is licensed in 42 states. The company cedes 100% of the business to Sentry Select Insurance Company. The 2003 annual statement reported assets of $15,752,415, liabilities of $170,385, policyholders' surplus of $15,582,030, and net income of $624,312. Sentry Casualty was examined concurrently with Sentry Select as of December 31, 2003, and the results of that examination are expressed in a separate report.

Sentry Investment Management, Inc.

Sentry Investment Management, Inc., a Delaware corporation organized on June 13, 1969, manages the investment portfolios of SIAMCO and its affiliates, subject to the direction of their respective boards of directors. As of December 31, 2003, the corporation reported $354,027 in assets, $218,537 in liabilities, $135,490 in stockholder's equity, and $5,538 in net income. The company is a wholly owned subsidiary of SIAMCO.

Affiliated Agreements

Sentry Select has no employees of its own. All operations are conducted by employees of its parent organization, SIAMCO, in accordance with its business practices and internal controls. In addition, the company's operations are affected by written agreements with Sentry Insurance Group affiliates. The reinsurance contracts are described in the "Reinsurance" section of this report. A brief summary of the other agreements follows.

Service Agreement

Sentry Select entered into an intercompany servicing agreement with SIAMCO effective December 31, 2003. This agreement was amended and restated as of March 19, 2004, to include an updated version of Exhibit 1, Intercompany Settlement Policy described below, to add Parker Centennial Assurance Company (Parker Centennial). Services provided by SIAMCO include, but are not limited to, premium accounting and collection, budgeting, disbursement services, administration of loss and loss adjustment expense payments, and management services. The agreement permits Sentry Select to audit records pertaining to services performed by SIAMCO under this agreement. Termination, or changes in the terms and conditions of service, may be effected by either party on 30 days' written notice. The form of the agreement is structured so that essential aspects of the allocation methodology itself are referenced in attachments which are periodically updated.

Intercompany Settlement Policy

The Intercompany Settlement Policy is amended and restated to add or delete companies as necessary. This contract was last amended and restated as of March 19, 2004, to add Parker Centennial. The cash management area settles intercompany balances, in SLAP where possible, based on policies and procedures listed in the agreement for daily, weekly, monthly, semi-annual and annual settlements. Other settlements in the agreement include reinsurance balances, which are to be settled according to the terms contained in the reinsurance agreements, and Sentry Aviation Services and Sentry Services, which are settled as funds are available.

Sentry Complex Income Tax Allocation Agreement

On February 22, 1983, the SIAMCO board of directors adopted a written federal income tax allocation policy for all companies that are party to SIAMCO's consolidated return. This agreement has been amended and restated to add or delete companies as needed. The latest amended and restated agreement is as of March 19, 2004, to add Parker Centennial Assurance Company (Parker Centennial). The key premise of this policy is that parties to the consolidated return that receive a tax reduction through utilization of some other member's tax loss are to compensate that other member for the use of the loss. Federal income taxes payable and tax benefits receivable are to be settled among the participants on the consolidated return on the same dates as would be required of each participant on a separate return basis.

Joint Investment Agreement

Effective January 1, 1980, the company entered into a joint investment agreement with various affiliates to establish the Sentry Liquid Asset Partnership (SLAP), a joint venture organized pursuant to the Wisconsin Uniform Partnership Act. This agreement has been amended and restated to add or delete companies as needed. The fifth amended and restated agreement was entered into as of September 1, 2004, to delete Sentry Life Insurance Company of New York (SLONY). SIAMCO is designated as the managing partner, though the agreement permits a change by a majority decision of the participants. A participant may withdraw from the joint venture upon the delivery of written notice to the managing partner. The joint venture shall dissolve at such time as only one participant remains in the joint venture.

The business of the joint venture consists of investing and reinvesting funds contributed by the members in short-term obligations of banks, corporations, and the U.S. federal government with a maximum duration of 12 months. It functions in a manner analogous to a short-term bond mutual fund. Investments in the SLAP are required to be reported as short-term investments. This office has directed all Wisconsin-domiciled Sentry affiliates to report their respective SLAP balances as a one-line entry on Schedule DA – Part 1 (Short-term Investments.)

Investment Advisory Agreement

On October 1, 1999, the company entered into an investment advisory agreement with Sentry Investment Management, Inc. (SIMI). This contract was amended and restated as of December 31, 2003. Under this contract, SIMI is employed to manage and direct the investment and reinvestment of the assets of Sentry Select, subject to the control of its board of directors. SIMI agrees to comply with the company's articles, bylaws, investment policies, and all applicable federal and state laws. SIMI charges the company a monthly fee computed as follows:

One twelfth (1/12) of an amount equal to the sum of (a) and (b)

(a) Common stocks, excluding those of affiliates:
.379% ($3.79 per $1,000) of market value;

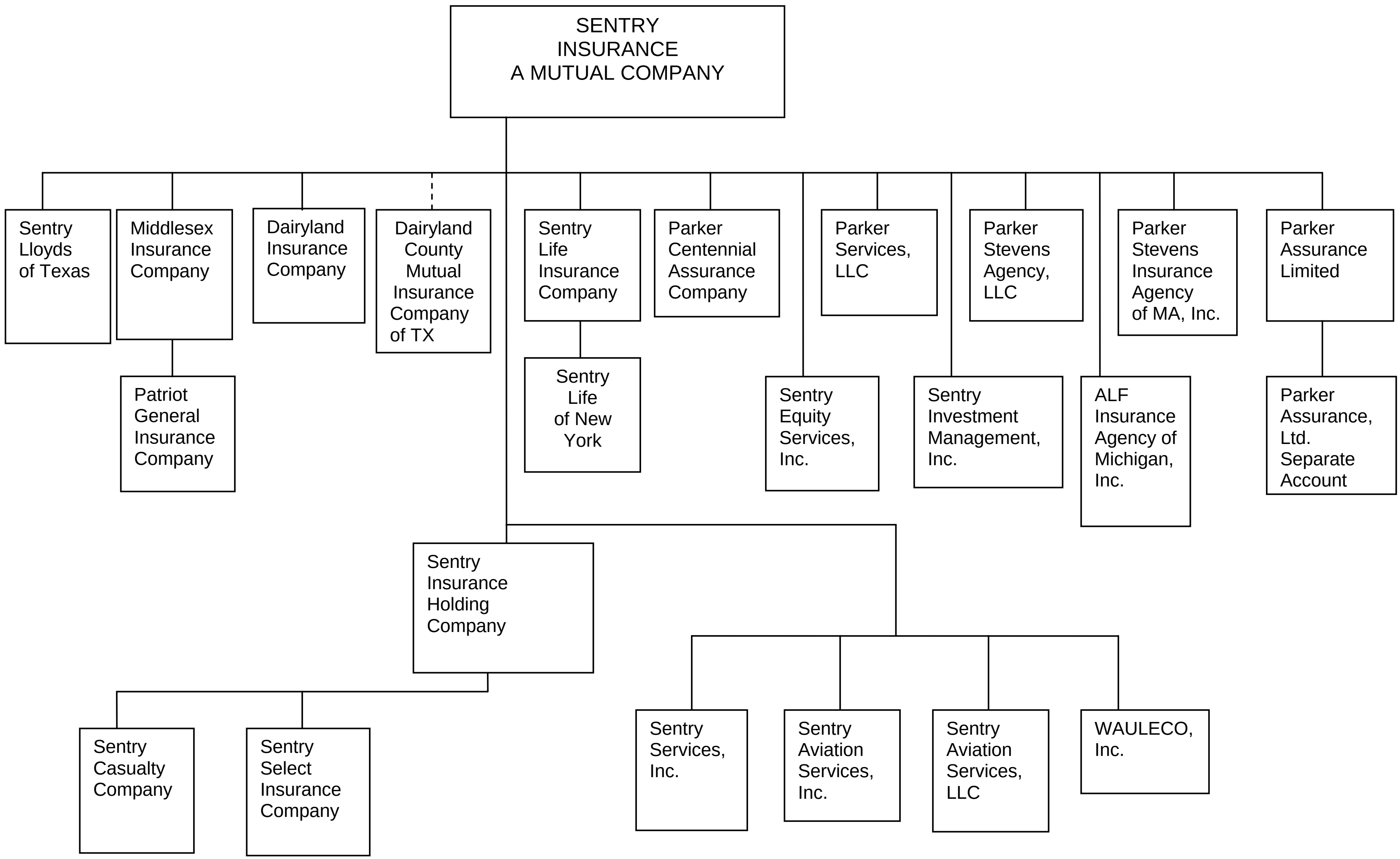
(b) Bonds and preferred stocks, excluding those of affiliates:
.0379 percent ($.379 per $1,000) of market value.

In addition, the actual cost of any expense borne by the advisor on behalf of the company is reimbursed. The contract may be terminated by either of the parties with 60 days' written notice.

General Expense Allocation Agreement

In 1993, the insurance companies of the Sentry Insurance Group entered into a written general expense allocation agreement. The agreement formalized the parties' consent to an accounting allocation process that had been in place since 1982. This agreement has been amended and restated to add or delete companies as needed. The latest amended and restated agreement is effective December 31, 2003, and was amended on March 19, 2004, to add Parker Centennial. Under the agreed procedure, expenses are first grouped and assigned to cost pools, each of which is distinguished by one or more of four characteristics, including activity, location, center, and division. Expenses, once assigned to cost pools, are then allocated to specific insurance products. An expense is not assigned to a specific legal entity until after it is coded to a cost pool and then to a specific product. Allocation at each phase of this process, outlined here in simplified form, is based on specific identification, utilization estimates developed from such criteria as premium or claim volume, time studies, or other rational means of distribution.

Sentry Group
Organizational Chart
As of December 31, 2004



V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows.

Affiliated Property and Casualty Pooling Agreement

The company participates in a pooling arrangement with certain of its property and casualty affiliates. Dairyland Insurance Company, Middlesex Insurance Company, and Sentry Select Insurance Company cede 100% of their direct and assumed premiums, losses, loss adjustment expenses, and underwriting expenses, net of all cessions to nonaffiliated parties, to Sentry Insurance a Mutual Company. The net pooled business is then distributed according to the participations listed below. Specifically excluded from the pooling are income and expenses related to investment operations.

Dairyland, Middlesex, and Sentry Select are direct co-parties to the automatic nonaffiliated ceding reinsurance agreements of SIAMCO along with all of SIAMCO's other property and casualty affiliates, including Dairyland County Mutual Insurance Company of Texas, Patriot General Insurance Company, Sentry Lloyds of Texas, and Sentry Casualty Company. SIAMCO administers all aspects of the pooled business, including placement of reinsurance with nonaffiliates. However, reinsurance with nonaffiliated parties is transacted in the names of SIAMCO, Dairyland, Middlesex, and Sentry Select each for its own direct and assumed business, prior to pooling. After nonaffiliated cessions are made, the net business of each participant is pooled, and all of the net retained business of SIAMCO, Dairyland, Sentry Select and Middlesex is derived from the pool. Additional terms of the pool are outlined below:

Effective date:	December 31, 2003 (Amended and Restated)	
Participation:	Sentry Insurance a Mutual Company	60%
	Dairyland Insurance Company	20%
	Middlesex Insurance Company	10%
	Sentry Select Insurance Company	10%
Termination:	By mutual agreement of the parties in writing, or by 90 days' advance notice by any one party to the other parties. In either event, such termination shall not be made effective at other than a subsequent calendar year-end.	

Affiliated Assuming Contracts

Sentry Casualty has a 100% Quota Share agreement with Sentry Select whereby Sentry Select assumes 100% of Sentry Casualty's business. Currently, Sentry Casualty is not writing any business, however, this agreement remains in place so that when Sentry Casualty begins writing business it will be ceded 100% to Sentry Select.

Nonaffiliated Ceding Contracts

1.	Type:	Multiple Line Excess of Loss
	Reinsurer:	See Table A at the end of this section
	Scope:	Property and casualty business
	Retention:	\$2,500,000 each risk, each occurrence
	Coverage:	The amount of ultimate net loss, including loss adjustment expenses, in excess of the company's retention of \$2,500,000 per risk. Reinsurer risk not to exceed \$12,500,000 as respects any one risk each loss, nor shall it exceed \$25,000,000 all risks involved in any one occurrence.
	Premium:	Annual minimum deposit of \$21,920,000; actual premium is 1.65% of subject net premiums earned for property business and 1.65% of subject net earned premium for casualty business.
	Commissions:	None
	Effective date:	January 1, 2004
	Termination:	Company may terminate upon 60-day notice to reinsurer Reinsurer may terminate upon 90-day notice to company
2.	Type:	Multiple Line Clash and Contingency Excess
	Reinsurers:	See Table B at the end of this section
	Scope:	Property and casualty losses
	Commission:	None
	Effective date:	January 1, 2004
	Termination:	Company may terminate upon a 10-day notice to reinsurer

a. First Layer

Retention:	$15,000,000 each risk, each occurrence.
Coverage:	Ultimate net loss in excess of the company's retention, up to a limit of $5,000,000 per loss occurrence, and $15,000,000 in aggregate for the contract year
Premium:	Annual minimum deposit premium of $748,000; actual premium is .0563% of subject net earned premium

b. Second Layer

Retention:	$20,000,000 each risk, each occurrence.
Coverage:	Ultimate net loss in excess of the company's retention, up to a limit of $10,000,000 per loss occurrence, and $20,000,000 in aggregate for the contract year
Premium:	Annual minimum deposit premium of $692,000; or .0521% of subject direct earned premium

c. Third Layer

Retention:	$30,000,000 each risk, each occurrence.
Coverage:	Ultimate net loss in excess of the company's retention, up to a limit of $20,000,000 per occurrence, and $40,000,000 in aggregate for the contract year
Premium:	Annual minimum deposit premium of $920,000; or .0690% of subject direct earned premium

d. Fourth Layer

Retention:	$50,000,000 each risk, each occurrence.
Coverage:	Ultimate net loss in excess of the company's retention, up to a limit of $20,000,000 per occurrence, and $40,000,000 in aggregate for the contract year
Premium:	Annual minimum deposit premium of $742,000; or .0558% of subject direct earned premium

3.

Type:	Property Catastrophe Excess of Loss
Reinsurers:	See Table C at the end of this section
Scope:	Property
Effective date:	January 1, 2004
Termination:	Company or reinsurer may terminate agreement upon 90-day notice to each other

a. First Layer

Retention:	$10,000,000 each occurrence plus 5 % of the next layer

Coverage:	95% of the company's ultimate net loss, including loss adjustment expenses, in excess of the company's retention, up to a limit of $5,000,000 per loss occurrence, and $10,000,000 aggregate for the contract year
Premium:	Annual deposit of $701,100; actual premium is .4100% of subject net earned premium
b. Second Layer Retention:	$15,000,000 each occurrence plus 5% of the next layer
Coverage:	95% of the company's ultimate net loss, including loss adjustment expenses, in excess of the company's retention, up to a limit of $15,000,000 per loss occurrence, and $30,000,000 aggregate for the contract year
Premium:	Annual deposit of $1,453,500; actual premium is .8500% of subject net earned premium
c. Third Layer Retention:	$30,000,000 each occurrence plus 5% of the next layer
Coverage:	95% of the company's ultimate net loss, including loss adjustment expenses, in excess of the company's retention, up to a limit of $45,000,000 per loss occurrence, and $90,000,000 aggregate for the contract year
Premium:	Annual deposit of $1,966,500; actual premium is 1.1500% of subject net earned premium

4. | | |
|---|---|
| Type: | Worker's Compensation Excess of Loss |
| Scope: | Worker's Compensation and Employer's Liability |
| Effective date: | January 1, 2004 |
| Termination: | December 31, 2004 |
| Reinsurers: | American Re-insurance Company – 75%
Aspen Insurance UK Limited – 25% |
| Retention: | $2,500,000 each occurrence |
| Coverage: | The ultimate net loss in excess of company's retention, up to a limit of $2,500,000 per loss occurrence, with unlimited reinstatement and $2,500,000 aggregate for terrorism for the contract year |
| Premium: | Annual minimum deposit of $3,960,000 or 1.268% of subject net earned premium |

5. | | |
|---|---|
| Type: | Sentry Select Auto Dealers Physical Damage Catastrophe |
| Scope: | Auto Dealers physical damage written by Sentry Select, except collision, overtime and false pretense |

Effective Date:	May 18, 2004
Termination:	12-month term
Retention:	$2,500,000 each occurrence
Coverage:	The ultimate net loss in excess of company's retention, up to a limit of $7,500,000 per loss occurrence, and $15,000,000 for all occurrences
Premium:	Annual minimum deposit of $420,000 or 2.1875% of subject net earned premium

Comment – In conjunction with the acquisition of the John Deere Insurance Group, Inc., SIAMCO entered into an Adverse Loss Development Reinsurance Agreement with European Reinsurance Company of Zurich. This reinsurance agreement covers net losses incurred by the former John Deere Insurance Group, Inc., insurers on or after July 1, 1999, on business written prior to this date. Net losses in excess of carried loss reserves of $299,838,000 at June 30, 1999, are reimbursable subject to a maximum of $57,000,000 in exchange for a reinsurance premium of $16,400,000. This transaction is accounted for by SIAMCO as retroactive reinsurance, which requires that expected recoveries under the contract be recorded as a contra-liability rather than as a reduction of gross loss reserves and that the net gain recognized under the contract, representing the difference between reserves ceded under the contract since inception and the reinsurance premium paid, be segregated within policyholders' surplus.

Table A
Multiple Line Excess of Loss
Participation Schedule

Reinsurer	Participation
American Re-insurance Company	40.0%
AXIS Reinsurance Company	15.0
Converium Reinsurance (North America) Inc.	5.0
Motors Insurance Company	14.0
Hannover Ruckversicherungs-Aktiengesellschaft	14.0
Aspen Insurance UK Limited	12.0
Total	100.0%

Table B
Multiple Line Clash
Participation Schedule

	Participation Layers			
Reinsurer	**1st**	**2nd**	**3rd**	**4th**
American Re-insurance Company	8.0%	0.0%	0.0%	0.0%
AXIS Reinsurance Company	0.0	15.0	15.0	0.0
Endurance Reinsurance Corporation of America	15.0	15.0	18.0	21.0
Folksamerica Reinsurance Company	25.0	20.0	10.0	10.0
Hannover Ruckversicherungs-Aktiengesellschaft	15.0	15.0	15.0	15.0
Liberty Mutual Insurance Company	7.0	4.0	3.5	2.5
New Jersey Re-Insurance Company	0.0	6.0	6.0	6.0
Platinum Underwriters Reinsurance, Inc.	0.0	0.0	17.5	20.5
Swiss Reinsurance America Corporation	0.0	15.0	0.0	0.0
Transatlantic Reinsurance Company	0.0	0.0	5.0	5.0
XL Reinsurance America Inc.	30.0	0.0	0.0	0.0
Aspen Insurance UK Limited	0.0	10.0	10.0	20.0
Total All Participants	100.0%	100.0%	100.0%	100.0%

Table C
Property Catastrophe Excess of Loss
Participation Schedule

Reinsurer	Participation 1st Layer	Participation 2nd Layer	Participation 3rd Layer
Converium Reinsurance (North America) Inc.	3.00%	4.00%	5.00%
Everest Reinsurance Company	10.00	9.00	9.00
Folksamerica Reinsurance Company	5.00	5.00	5.00
Liberty Mutual Insurance Company	4.00	3.50	2.00
New Jersey Re-Insurance Company	5.00	3.00	1.00
Shelter Mutual Insurance Company	3.50	3.50	3.00
State Automobile Mutual Insurance Company	0.00	1.00	1.00
Transatlantic Reinsurance Company	10.00	8.00	12.00
Endurance Specialty Insurance Ltd.	9.50	7.00	7.00
Hanover Re (Bermuda) Ltd.	5.00	5.00	5.00
Allied World Assurance Company Ltd.	15.00	15.00	15.00
IPCRe Limited	15.00	15.00	15.00
Montpelier Reinsurance Ltd.	6.00	6.00	6.00
PXRE Reinsurance Ltd.	3.00	3.00	3.00
Sirius International Insurance Corporation	1.00	1.00	1.00
Aspen Insurance UK Limited	0.00	0.00	2.00
Odyssey America Reinsurance Corporation	0.00	3.00	0.00
Lloyd’s Syndicate KLN #0510	0.00	1.00	1.00
Lloyd’s Syndicate AFB #0623	0.00	0.46	0.46
Lloyd’s Syndicate AFB #2623	0.00	0.54	0.54
Lloyd’s Syndicate BRT #2987	0.00	1.00	1.00
Total All Participants	95.00%	95.00%	95.00%

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2003, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Sentry Select Insurance Company
Assets
As of December 31, 2003

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$398,970,639	$	$398,970,639
Stocks:			
Common stocks	162,933		162,933
Real estate:			
Properties held for sale			
Cash	1,877,695		1,877,695
Short-term investments	10,712,422		10,712,422
Other invested assets	6,225		6,225
Investment income due and accrued	5,253,615		5,253,615
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	31,501,281	3,717,880	27,783,402
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	47,938,748	101,549	47,837,198
Accrued retrospective premiums	10,909,039	586,502	10,322,537
Reinsurance:			
Amounts recoverable from reinsurers	8,454,876		8,454,876
Net deferred tax asset	19,445,658	9,097,810	10,347,848
Guaranty funds receivable or on deposit	689,146		689,146
Receivable from parent, subsidiaries, and affiliates	9,012,116		9,012,116
Write-ins for other than invested assets:			
Reinsurance receivable - affiliate	132,887		132,887
Miscellaneous receivable	1,303,861	99	1,303,762
Amounts billed & receivable under high deductible policies	117,437	89,580	27,857
Equities and deposits in pools and associations	81,680		81,680
Total Assets	$546,570,258	$13,593,420	$532,976,838

Sentry Select Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2003

Losses		$187,696,105
Reinsurance payable on paid loss and loss adjustment expenses		(6,648)
Loss adjustment expenses		37,286,171
Commissions payable, contingent commissions, and other similar charges		4,426,776
Other expenses (excluding taxes, licenses, and fees)		13,142,590
Taxes, licenses, and fees (excluding federal and foreign income taxes)		1,199,101
Current federal and foreign income taxes		3,576,111
Unearned premiums		78,667,985
Advance premium		3,873,713
Dividends declared and unpaid:		
Policyholders		580,910
Ceded reinsurance premiums payable (net of ceding commissions)		6,159,158
Amounts withheld or retained by company for account of others		17,222,525
Remittances and items not allocated		1,218,556
Provision for reinsurance		1,300,132
Payable to parent, subsidiaries, and affiliates		26,264
Write-ins for liabilities:		
Accounts payable - other		4,732,655
Escheat funds		227,587
Premium deficiency liability - assumed		200,000
Provisions for contingent losses of sub's		5,628
New Jersey buyout expense		387,500
Reinsurance payable - affiliate		23,496,319
Total Liabilities		385,419,139
Common capital stock	$ 5,000,000	
Gross paid in and contributed surplus	26,850,000	
Unassigned funds (surplus)	115,707,700	
Surplus as Regards Policyholders		147,557,700
Total Liabilities and Surplus		$532,976,838

Sentry Select Insurance Company
Summary of Operations
For the Year 2003

Underwriting Income		
Premiums earned		$160,702,792
Deductions:		
Losses incurred	$107,111,391	
Loss expenses incurred	16,620,818	
Other underwriting expenses incurred	40,715,847	
Write-ins for underwriting deductions:		
New Jersey buyout expense	475,000	
Total underwriting deductions		164,923,056
Net underwriting gain or (loss)		(4,220,264)
Investment Income		
Net investment income earned	22,180,782	
Net realized capital gains or (losses)	38,689	
Net investment gain or (loss)		22,219,471
Other Income		
Net gain or (loss) from agents' or premium balances charged off	(843,011)	
Finance and service charges not included in premiums	301,993	
Write-ins for miscellaneous income:		
Miscellaneous expenses	(156,723)	
Total other income		(697,741)
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		17,301,466
Dividends to policyholders		1,063,402
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		16,238,064
Federal and foreign income taxes incurred		4,639,000
Net Income		$ 11,599,064

Sentry Select Insurance Company
Cash Flow
For the Year 2003

Premiums collected net of reinsurance			$150,730,815
Net investment income			21,331,255
Miscellaneous income			(697,741)
Total			171,364,329
Benefit- and loss-related payments		$ 85,965,325	
Commissions, expenses paid, and aggregate write-ins for deductions		53,573,762	
Dividends paid to policyholders		868,012	
Federal and foreign income taxes paid (recovered)		2,212,939	
Total deductions			142,620,038
Net cash from operations			28,744,290
Proceeds from investments sold, matured, or repaid:			
Bonds	$69,167,241		
Miscellaneous proceeds	5,188		
Total investment proceeds		69,172,429	
Cost of investments acquired (long-term only):			
Bonds		111,273,115	
Net cash from investments			(42,100,687)
Cash from financing and miscellaneous sources:			
Other cash provided (applied)			12,101,360
Reconciliation			
Net change in cash and short-term investments			(1,255,036)
Cash and short-term investments, December 31, 2002			13,845,154
Cash and short-term investments, December 31, 2003			$ 12,590,117

Sentry Select Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2003

Assets			$532,976,838
Less liabilities			385,419,139
Adjusted surplus			147,557,699
Annual premium:			
Individual accident and health	$ 4,887		
Factor	15%		
Total		$ 733	
Group accident and health	1,524,373		
Factor	10%		
Total		152,437	
Lines other than accident and health	166,704,014		
Factor	20%		
Total		33,340,802	
Compulsory surplus (subject to a minimum of $2 million)			33,493,972
Compulsory surplus excess (or deficit)			$114,063,727
Adjusted surplus (from above)			$147,557,699
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)			45,551,801
Security surplus excess (or deficit)			$102,005,898

Sentry Select Insurance Company
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2003

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	2003	2002	2001	2000	1999
Surplus, beginning of year	$131,572,008	$130,220,606	$117,757,043	$114,895,676	$246,924,197
Net income	11,599,064	3,580,270	7,085,372	3,532,420	21,014,609
Net unrealized capital gains or (losses)	160,006	(59,981)	(102,131)	8,916	(3,659,674)
Change in net deferred income tax	1,191,891	(389,019)	7,225,022		
Change in non-admitted assets	1,980,092	(3,779,141)	(6,402,499)	664,602	5,214,603
Change in provision for reinsurance	1,054,639	1,999,273	(1,785,472)	(1,344,571)	(816,000)
Change in excess of statutory reserves over statement reserves					4,430,938
Cumulative effect of changes in accounting principles			6,443,271		
Dividends to stockholders					(158,212,997)
Surplus, end of year	$147,557,700	$131,572,008	$130,220,606	$117,757,043	$114,895,676

Sentry Select Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2003

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2003	2002	2001	2000	1999
#1	Gross Premium to Surplus	516%	523%	426%	431%	366%
#2	Net Premium to Surplus	115	118	118	106	131
#3	Change in Net Writings	9	1	23	-17	-37*
#4	Surplus Aid to Surplus	0	0	0	0	1
#5	Two-Year Overall Operating Ratio	91	94	94	101*	103*
#6	Investment Yield	5.8	5.7	6.8	7.2	7.7
#7	Change in Surplus	12	3	12	3	-55*
#8	Liabilities to Liquid Assets	81	78	83	103	101
#9	Agents' Balances to Surplus	19	13	17	14	7
#10	One-Year Reserve Development to Surplus	-6	-10	-15	-21	-2
#11	Two-Year Reserve Development to Surplus	-11	-18	-28	-6	-2
#12	Estimated Current Reserve Deficiency to Surplus	0	0	-29	-76	15

Prior to SIAMCO's acquisition of Sentry Select Insurance Company (formerly John Deere Insurance Company), the company was subject to Deere's pooling agreement under which it ceded 100% of its business to the pool and then assumed back 80%. This agreement was cancelled upon SIAMCO's purchase of the company. Subsequent to the purchase on October 1, 1999, a new pool was created with the following participation: SIAMCO 60%, Dairyland Insurance Company 20%, Middlesex Insurance Company 10%, and Sentry Select 10%. In addition, a cash dividend of $158,212,997 was paid in 1999 to Select's former ultimate parent, Deere & Company, affecting both total assets and surplus. The unusual 1999 changes in net premiums written, cash and surplus are the factors producing unusual IRIS ratios noted above. Ratio #5, Two-year overall operating ratio, was unusual for 1999 and 2000, due to the Deere group's higher combined ratio and overall operating ratio; as a member of the Sentry group this ratio has not been unusual. The Growth section below also reflects many of these same changes to cash, surplus and premiums.

Growth of Sentry Select Insurance Company

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
2003	$532,976,838	$385,419,139	$147,557,700	$11,599,064
2002	463,523,574	331,951,561	131,572,009	3,580,270
2001	455,356,062	325,135,455	130,220,607	7,085,372
2000	425,456,562	307,699,517	117,757,043	3,532,420
1999	427,237,581	312,341,905	114,895,676	21,014,609
1998	676,761,290	429,837,093	246,924,197	7,139,865

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
2003	$760,853,489	$169,296,675	$160,702,792	77.0%	24.7%	101.7%
2002	688,022,159	155,289,905	141,030,318	80.4	24.8	105.2
2001	554,264,347	153,522,133	135,937,043	81.9	24.6	106.5
2000	507,379,680	125,157,063	122,354,448	80.8	30.4	111.2
1999	420,523,292	150,766,241	219,805,202	84.0	35.2	119.2
1998	319,648,907	238,710,007	238,337,542	89.4	29.3	118.7

The company grew steadily during the period under examination reporting a profit in each year with 1999 and 2003 being particularly profitable years. This is attributable to capital gains, due to good investment performance, in 1999 and improved underwriting results and lower expenses in 2003. The company's expense ratio was 24.7% in 2003 with the only lower expense ratio during the period under examination being 24.6% in 2001.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2003, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were six specific comments and recommendations in the previous examination report by the Illinois Insurance Department. Since the last examination, the company was acquired by Sentry Insurance Group and redomiciled to Wisconsin. Comments and recommendations contained in the last examination report are no longer considered relevant and were not reviewed due to change in ownership and operations of the company.

Summary of Current Examination Results

Affiliated Companies

It was noted that the company did not include any amounts in Schedule Y, Part 2, Column 8. According to NAIC Annual Statement Instructions – Property and Casualty, Schedule Y, Part 2, Column 8, should include all revenues and expenditures under management agreements and service contracts, all income tax amounts resulting from intercompany tax-sharing arrangements, all amounts for contracts for services provided by the insurer or purchased by the insurer from other affiliates, and all compensation under agreements with affiliated brokers and reinsurance intermediaries; the introductory portion of these instructions prescribe materiality limits on what must be reported. The company's interpretation is that these limits apply and therefore the company left this schedule blank. Pursuant to s. Ins 40.04, Wis. Adm. Code, all affiliated, management and service agreements are material and the amounts paid to or received from affiliates should be included in Column 8 of Schedule Y, Part 2, pursuant to s. 601.42 (3), Wis. Stat. It is recommended that the company properly complete Column 8 of Schedule Y, Part 2, in all future annual statements, by properly including all revenues and expenditures under management and service agreements pursuant to s. 601.42 (3), Wis. Stat., and s. Ins 40.04, Wis. Adm. Code.

Accrued Return Retrospective Premiums

During review of the accrued retrospective premium balance it was noted that the company is netting accrued retrospective premium receivables with accrued return retrospective premiums and reporting the netted balance on annual statement line 12.3. Statement of Statutory Accounting Principles (SSAP) No. 66, paragraph 6 a ii, states when an asset or liability is calculated for each risk, the total of all receivables shall be recorded as an asset and the total of all return premiums shall be recorded as a liability. SSAP No. 66, paragraph 8 a ii, further states that accrued return retrospective premiums shall be recorded as a write-in liability. It is recommended that the accrued return retrospective premiums be recorded as a write-in liability in accordance with SSAP No. 66, paragraphs 6 a ii and 8 a ii.

VIII. CONCLUSION

Sentry Select Insurance Company (formerly John Deere Insurance Company) was acquired by the Sentry group on September 30, 1999. Prior to SIAMCO's acquisition of Sentry Select the company terminated its participation in Deere's pooling agreement and the company paid a dividend of $158.2 million. Subsequent to the purchase on October 1, 1999, Sentry amended its pooling agreement to establish the following participation: SIAMCO 60%, Dairyland Insurance Company 20%, Middlesex Insurance Company 10%, and Sentry Select 10%.

The examination verified the financial condition of the company as reported in its annual statement. Comments and recommendations contained in the last examination report are no longer considered relevant and were not reviewed due to change in ownership and operations of the company. No examination adjustments or reclassifications are being made. Recommendations concerning properly completing Schedule Y, Part 2, of the annual statement and properly reporting accrued return retrospective premiums are being made as a result of this examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 33 - Affiliated Companies—It is recommended that the company properly complete Column 8 of Schedule Y, Part 2, in all future annual statements, by properly including all revenues and expenditures under management and service agreements pursuant to s. 601.42 (3), Wis. Stat., and s. Ins 40.04, Wis. Adm. Code.

2. Page 33 - Accrued Return Retrospective Premiums—It is recommended that the accrued return retrospective premiums be recorded as a write-in liability in accordance with SSAP No. 66, paragraphs 6 a ii and 8 a ii.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Amy Wolff	Insurance Financial Examiner
Angelita Romaker	Insurance Financial Examiner
Eleanor Oppriecht	Insurance Financial Examiner
Richard Anderson	Insurance Financial Examiner
Stephen Elmer	Insurance Financial Examiner
Randy Milquet	EDP Specialists
Tim VandeHey	EDP Specialists

Respectfully submitted,

Kerri L. Miller
Examiner-in-Charge